

## SENATE BILL NO. 388

INTRODUCED BY J. ELLINGSON

A BILL FOR AN ACT ENTITLED: "AN ACT ALLOWING A REFUNDABLE EARNED INCOME CREDIT BASED ON A PERCENTAGE OF THE FEDERAL EARNED INCOME CREDIT; ADJUSTING THE AMOUNT OF THE CREDIT ACCORDING TO FAMILY SIZE; REQUIRING THE TRANSFER OF FUNDS FROM THE TEMPORARY ASSISTANCE TO NEEDY FAMILIES BLOCK GRANT TO THE GENERAL FUND TO PAY FOR THE REFUNDABLE PORTION OF THE CREDIT; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

**NEW SECTION. Section 1. Earned income credit.** (1) There is allowed as a credit against the tax imposed by 15-30-103 the applicable percentage of the credit allowed for the federal earned income credit for which a resident individual taxpayer is eligible for the tax year under section 32 of the Internal Revenue Code (26 U.S.C. 32).

(2) If the taxpayer has one or more dependent children who have the same principal residence as the taxpayer, then the amount of the credit allowed under subsection (1) is a percentage of the amount of the credit determined under section 32 of the Internal Revenue Code, computed according to the following schedule:

number of dependent children	percentage of the credit determined under section 32
0	0%
1	10%
2	20%
3	40%
4 or more	60%

(3) Except married taxpayers living apart who are treated as single under section 7703(b) of the Internal Revenue Code (26 U.S.C. 7703(b)), the credit is not allowed to married taxpayers if the husband and wife report their income on separate tax returns.

(4) The credit is not allowed for temporary residents or nonresidents of the state.

(5) The taxpayer is entitled to a refund equal to the amount by which the credit exceeds the taxpayer's tax liability or, if the taxpayer has no tax liability, a refund equal to the amount of the credit.

**NEW SECTION. Section 2. Fund transfer.** Each year, the department of public health and human services shall transfer, to the extent permitted under federal law, from the temporary assistance to needy families block grant received as federal special revenue to the general fund the amount necessary to pay the refundable portion of the earned income credit allowed in [section 1].

**NEW SECTION. Section 3. Codification instruction.** [Section 1] is intended to be codified as an integral part of Title 15, chapter 30, part 1, and the provisions of Title 15, chapter 30, part 1, apply to [section 1].

**NEW SECTION. Section 4. Effective date.** [This act] is effective on passage and approval.

**NEW SECTION. Section 5. Retroactive applicability.** [This act] applies retroactively, within the meaning of 1-2-109, to tax years beginning after December 31, 2000.

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